

# Promoting economic development and inclusivity through consumer policy

## ISSUES NOTE

This provides background information for discussion at the OECD Consumer Policy Ministerial Meeting.

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## KEY POINTS

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Consumer policy can support economic development by helping make markets work more effectively. By protecting consumers from a range of risks and harms and empowering them to make informed choices, consumer policy can help mitigate costs for consumers and economies, facilitate more efficient market outcomes and strengthen consumer trust in markets and new products.

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Consumer policy can also contribute to fostering more inclusive societies, by addressing instances where certain sociodemographic groups are particularly harmed, integrating gender considerations and mitigating the often more severe consequences of consumer problems in developing economies.

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The OECD Consumer Policy Ministerial provides an important opportunity to discuss how consumer policy can further contribute to building more prosperous and inclusive economies and societies, and the role that the OECD may play in achieving this objective.



## CONSUMER POLICY CAN SUPPORT ECONOMIC DEVELOPMENT BY HELPING MAKE MARKETS WORK EFFECTIVELY

Consumer policy can serve as a tool to support economic development by addressing a myriad of challenges that can hinder market efficiency and positive economic outcomes. First, consumer policy *mitigates* the costs arising from deceptive, unfair or fraudulent business practices and unsafe products.

These costs manifest not only as financial loss, time loss, and physical injuries to consumers, but also as significant burdens on businesses, regulators, healthcare providers, courts, and governments tasked with addressing and remedying these issues. Taken together, these can represent a significant impact on economies as a whole.



# COSTS OF CONSUMER PROBLEMS AND UNSAFE PRODUCTS



Empirical studies suggest substantial costs arising from problems consumers experience with transactions and goods and services, including unsafe products. For instance, the combined net financial loss and monetised time loss from all problems that consumers in the United Kingdom encountered between April 2020 and April 2021 was estimated to be **GBP 54.2 billion**, corresponding to 2.6% of the United Kingdom's gross domestic product (GDP) in 2020 and **USD 96 billion** in USD 2023 purchasing power parity (PPP) terms.<sup>1</sup> In Sweden, this number was estimated to be **SEK 50 billion** in 2017, corresponding to 1.1% of the country's GDP in 2017 and **USD 7.3 billion** in USD 2023 PPP terms.<sup>2</sup> If the lower of these two estimates of consumer detriment as a percentage of GDP, i.e. 1.1%, were extrapolated to all OECD countries based on their combined GDP in 2023, it would indicate that consumers in OECD countries could be exposed to net financial and monetised time loss totalling **USD 900 billion** per year.<sup>3</sup>



In addition, extrapolation based on estimates from Australia, the European Union and the United States suggests unsafe products could cost consumers in OECD countries another **USD 220 billion** every year, as a result of healthcare expenditures and monetised losses from premature death, among other factors. This figure does not include additional costs associated with unsafe products that are unusable and non-refundable, which, in the European Union, have been estimated at **USD 21 billion** annually.<sup>4</sup>



Expanding these measurement efforts to cover a broader range of countries may help to assess the overall scale of harms and risks. It may also provide indication as to how the gravity of different issues varies between countries, helping jurisdictions prioritise domestic policy interventions and international co-operation efforts.

<sup>1</sup> UK BEIS (2022), *Consumer Protection Study 2022*, BEIS Research Paper Number 2022/005.

<sup>2</sup> Swedish Consumer Agency (2018), *Consumer detriment in Sweden*.

<sup>3</sup> The combined GDP of OECD countries in 2023 is estimated to be approximately USD 81.8 trillion, of which 1.1% equals approximately USD 900 billion.

<sup>4</sup> European Commission (2021), *Study to support the preparation of an evaluation of the General Product Safety Directive as well as of an impact assessment on its potential revision*, <https://commission.europa.eu/system/files/2021-07/gpsd-final-report-part2-ia.pdf>.





Additionally, consumer policy improves the functioning of markets by reducing information asymmetries between consumers and businesses. Policy interventions that mandate clear, accurate, and easy-to-understand *information* about the price and quality of goods and services empower consumers to make informed purchasing decisions in line with their preferences. In turn, businesses receive clear signals about market demand, allowing them to allocate resources more efficiently and tailor their offerings to meet consumer needs. This can support business productivity and result in more efficient outcomes.<sup>5</sup> Improved information also helps consumers to, for example, act on their desire for more sustainable consumption, supporting innovative, growth-enhancing green business models and technologies.

Similarly, consumer policy sets the ground rules for businesses in their interactions with consumers, thereby preventing some businesses from gaining an unfair advantage over others through deceptive or unfair practices. This fosters a *level playing field* where businesses compete on the merits of their products rather than on their ability to exploit consumers,

improving market efficiency and potentially encouraging other businesses to join the market.

Finally, consumer policy promotes consumer *trust* – a fundamental component of well-functioning markets – by ensuring that businesses operate fairly and adhere to high product safety standards, irrespective of whether transactions occur online or offline, domestically or abroad, and by providing consumers with access to redress if problems arise. When consumers are confident in being protected, they engage more actively in the market, increasing demand for goods and services and showing greater willingness to try new products. Indeed, trust is a strong prerequisite for participation in global e-commerce and adoption of digital technologies<sup>6</sup> (both of which have been identified as key drivers of economic growth).<sup>7</sup> For instance, both the European Union's Unfair Commercial Practices Directive and its Consumer Rights Directive were found to significantly increase consumer trust and engagement in e-commerce and cross-border purchases.<sup>8</sup> More generally, fair and effective consumer authorities have been found to contribute to trust and social capital in consumer markets.<sup>9</sup>

<sup>5</sup> Gardner, M. et al. (2022) Consumer protections and economic growth, Which?.

<sup>6</sup> OECD (2019), *Going Digital: Shaping Policies, Improving Lives*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264312012-en>.

<sup>7</sup> See OECD (2023), *Economic Policy Reforms 2023: Going for Growth*, OECD Publishing, Paris, <https://doi.org/10.1787/9953de23-en>. See also Parishev, A. et al. (2020), "E-COMMERCE IMPACT ON ECONOMIC GROWTH", Proceedings of the international conference "Economic and Business Trends Shaping the Future", <https://doi.org/10.47063/ebtsf.2020.0017>.

<sup>8</sup> See Rösner, A., J. Haucap and U. Heimeshoff (2020), "The impact of consumer protection in the digital age: Evidence from the European Union", *International Journal of Industrial Organization*, Vol. 73, p. 102585, <https://doi.org/10.1016/j.ijindorg.2020.102585>. See also Bukowski, M. and T. Kaczor (2019), *Contribution to growth: consumer protection delivering economic benefits for citizens and businesses*, European Parliament, [https://www.europarl.europa.eu/RegData/etudes/STUD/2019/638396/IPOL\\_STU\(2019\)638396\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2019/638396/IPOL_STU(2019)638396_EN.pdf).

<sup>9</sup> Berg, L. (2022), "The Importance of Consumer Authorities for the Production and Maintenance of Trust and Social Capital in Consumer Markets", *Journal of Consumer Policy*, Vol. 45/3, pp. 537-559, <https://doi.org/10.1007/s10603-022-09523-6>.



## CONSUMER POLICY CAN HELP ENSURE THAT NO ONE IS LEFT BEHIND

In addition to improving economic outcomes, consumer policy can help foster more inclusive societies. While all consumers might be vulnerable at times, especially when faced with the complexity of digital markets, certain groups can be particularly harmed by specific market practices or phenomena. A survey conducted by the OECD in 2021 found that consumers in economic distress and from rural areas were more likely to encounter issues with pricing, payments, scams, or unfair terms and conditions.<sup>10</sup> These consumers also faced higher initial financial losses relative to the product price and were less likely to obtain full redress.<sup>10</sup> Other evidence suggests older and less educated consumers may be more susceptible to harm from dark commercial patterns,<sup>11</sup> while data from enforcement actions reveal that fraud and other consumer problems can disproportionately harm certain ethnic groups.<sup>12</sup> By taking into account how consumers of different demographics and socio-economic backgrounds are impacted, consumer policy interventions can play an important role in addressing disparities within societies.

Notably, consumer policy can contribute to mainstreaming gender equality.

Women can be a significant influence on consumer decisions, often playing an important role in household purchases and shaping market trends across various industries.<sup>13</sup> One projection suggests women worldwide will be in charge of 75% of discretionary spending by 2028.<sup>14</sup> Yet, their specific characteristics are frequently neglected in the marketplace, and evidence suggests that digital technologies are increasingly being used by some businesses to engage in gender biased advertisements and product recommendations.<sup>15</sup> Moreover, consumer product design and marketing do not always account for gender-specific needs, potentially compromising the safety and functionality of products for women. For instance, studies have shown that smartwatches, smartphones, and vehicles are often designed with male consumers in mind despite being advertised as “gender neutral”, potentially resulting in greater risks of physical harm to women.<sup>16</sup>

<sup>10</sup> OECD (2022), “Measuring financial consumer detriment in e-commerce”, OECD Digital Economy Papers, No. 326, OECD Publishing, Paris, <https://doi.org/10.1787/4055c40e-en>.

<sup>11</sup> See OECD (forthcoming), “Empirical study on dark commercial patterns”, OECD Publishing, Paris, as well as e.g. Luguri, J. and L. Strahilevitz (2021), “Shining a Light on Dark Patterns”, *Journal of Legal Analysis*, Vol. 13/1, pp. 43-109, <https://doi.org/10.1093/jla/laaa006> and European Commission (2022), *Behavioural study on unfair commercial practices in the digital environment: dark patterns and manipulative personalisation: final report*.

<sup>12</sup> FTC (2021), *Serving Communities of Color. A Staff Report on the Federal Trade Commission’s Efforts to Address Fraud and Consumer Issues Affecting Communities of Color*.

<sup>13</sup> OECD (2021), *Gender and the Environment: Building Evidence and Policies to Achieve the SDGs*, OECD Publishing, Paris, <https://doi.org/10.1787/3d32ca39-en>.

<sup>14</sup> Nielsen (2020), *Wise up to Women*, <https://www.nielsen.com/insights/2020/wise-up-to-women/>.

<sup>15</sup> See e.g. Rathee, S. et al. (2023), “Algorithms propagate gender bias in the marketplace—with consumers’ cooperation”, *Journal of Consumer Psychology*, Vol. 33/4, pp. 621-631, <https://doi.org/10.1002/jcpy.1351>. See also OECD (2023), “Consumer vulnerability in the digital age”, OECD Digital Economy Papers, No. 355, OECD Publishing, Paris, <https://doi.org/10.1787/4d013cc5-en>.

<sup>16</sup> Criado Perez, C. (2019), *Invisible Women*, Vintage Books, pp. 159-162.



Indeed, one study found women were 73% more likely to suffer serious injuries in a vehicle crash than men.<sup>17</sup> This emerging evidence underscores the importance of identifying and accounting for gender differences when tackling harmful practices and products to prevent the perpetuation of inequalities, stereotypes and discrimination. However, a meta-review of research on consumer vulnerability indicated much less research has focused on gender than, for example, age or socio-economic status.<sup>18</sup> Gathering more gender-disaggregated data could therefore help fill a knowledge gap and address gender issues in consumer policy.<sup>19</sup>

Finally, disparities in levels of consumer harm exist not only within countries but also *among* them. In developing economies, where spending on essential needs like nutrition, healthcare, or education typically takes up a larger share of household income, every dollar lost to unfair commercial practices or spent treating injuries from unsafe products can profoundly impact people's livelihoods, exacerbating cycles of poverty and social exclusion.

Yet developing economies face significant difficulties in addressing consumer harms, partly due to inadequate legal and institutional consumer policy frameworks and limited consumer protection enforcement capabilities.<sup>20</sup> The shipping of unsafe products, banned and recalled in jurisdictions with strong product safety frameworks, to developing economies exemplifies the issue.<sup>21</sup> The 2022 UN Trade and Development (UNCTAD) Recommendation on preventing the cross-border distribution of known unsafe consumer products recognises this concern and underlines the need for further efforts.<sup>22</sup> Technical assistance and capacity building initiatives, including those of international organisations such as UNCTAD, the World Bank, the Association of Southeast Nations (ASEAN) and the Common Market for Eastern and Southern Africa (COMESA), as well as more systematic engagement with local business organisations and civil society, are key steps towards improving the robustness of consumer policy frameworks in developing economies.

## THE OECD CAN SUPPORT BROADER AND MORE INCLUSIVE DIALOGUE ON CONSUMER POLICY

As the digital and green transitions reshape economies and societies, another significant shift is unfolding in the background. Population growth in developing and emerging economies coupled with rapidly rising standards of living are driving the swift expansion of the global consumer class.

**According to one estimate, by 2031 the number of consumers with the financial means to participate in markets beyond basic needs is expected to reach 5 billion, representing a 1 billion increase compared to 2023.<sup>23</sup>**

Most of this increase will occur in developing and emerging economies, in particular the Indo-Pacific region, underlining the need to strengthen

international dialogue on consumer policy across these economies.

The OECD Consumer Policy Ministerial in October 2024 provides a unique opportunity to advance discussions on how consumer policy can further contribute to building prosperous and inclusive economies and societies, and on what role the OECD can play in supporting countries in this endeavour. Through its launch of a new Global Forum on Consumer Policy, to be announced at the Ministerial, the OECD will benefit from a stable and inclusive network beyond its membership to discuss emerging consumer issues, with academics, civil society, businesses and other relevant stakeholders, including on the interlinkages of consumer policy with other policy areas, such as competition, digital,

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<sup>17</sup> Forman, J. et al. (2019), "Automobile injury trends in the contemporary fleet: Belted occupants in frontal collisions", *Traffic Injury Prevention*, Vol. 20/6, pp. 607-612, <https://doi.org/10.1080/15389588.2019.1630825>.

<sup>18</sup> Riedel, A. et al. (2021), "Consumers experiencing vulnerability: a state of play in the literature", *Journal of Services Marketing*, Vol. 36/2, pp. 110-128, <https://doi.org/10.1108/jsm-12-2020-0496>.

<sup>19</sup> See Davaki, K. (2023), *The impact of the gender data gap on consumer protection*. Directorate General for Internal Policies, Policies Department C: Citizens' Rights and Constitutional Affairs, Gender Equality, European Parliament, Brussels.

<sup>20</sup> World Bank (2024), *GRIDMAP Toolkit: Global Regulations, Institutional Development and Market Authorities Perspective. Consumer Protection Module*, World Bank, Washington, DC.

<sup>21</sup> See UNCTAD (2022), "Unsafe products exact a high price on consumers globally", July 2022 <https://unctad.org/news/unsafe-products-exact-high-price-consumers-globally>.

<sup>22</sup> UNCTAD (2021), *Recommendation on preventing cross-border distribution of known unsafe consumer products*.

<sup>23</sup> Fengler, W. et al. (2023), "How the world consumer class will grow from 4 billion to 5 billion people by 2031", *Commentary*, <https://www.brookings.edu/articles/how-the-world-consumer-class-will-grow-from-4-billion-to-5-billion-people-by-2031/>.

privacy, environmental, trade and gender policy. Key priorities going forward may include broadening and deepening the dialogue on consumer policy among advanced, emerging and developing economies, drawing on collective experience to determine best practices and derive consumer policy toolkits,

guidance and recommendations; and developing methodologies and tools to measure and enhance the effectiveness of consumer policy and product safety interventions, including for economic development and more inclusive outcomes.

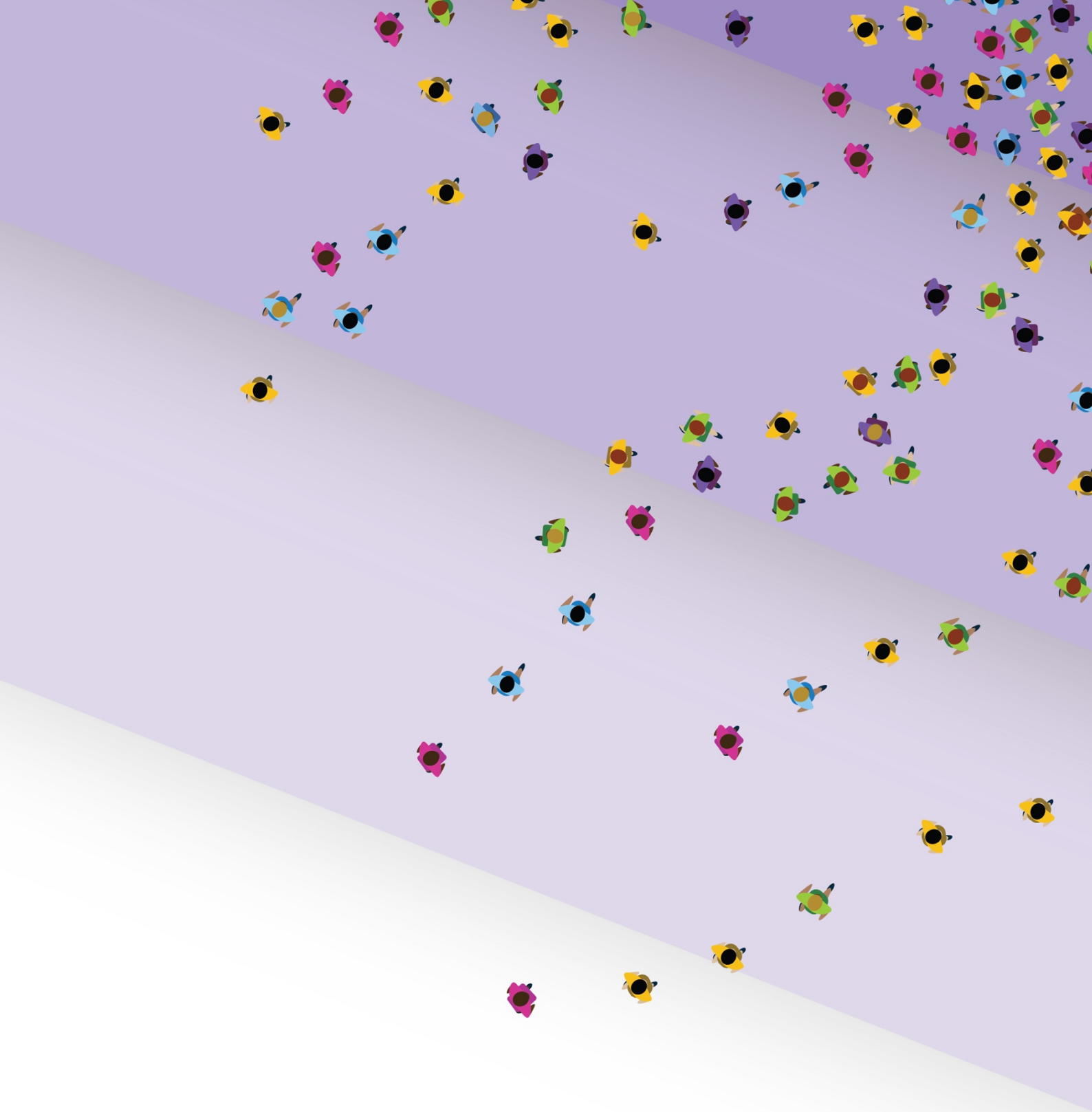
## QUESTIONS FOR DISCUSSION




- 1** What are examples of recent consumer policies and initiatives, from governments, business or civil society, that have contributed to economic development and inclusivity, including in relation to gender?
- 2** What priorities should international, inclusive dialogue on consumer policy address in the coming years to help promote economic development and inclusivity?
- 3** How can international dialogue on consumer policy be broadened and how can the OECD best support this?







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